



CONSUMER FEDERATION OF AMERICA

SEC Advances Mutual Fund Reforms

As momentum behind mutual fund reform legislation died, the Securities and Exchange Commission pressed ahead with a number of important regulatory and enforcement actions.

"While we believe legislation is still needed to fill gaps in the SEC's mutual fund reform agenda, we are pleased that the agency continues to make progress on a number of significant reforms," said CFA Director of Investor Protection Barbara Roper.

A key test came in June, when the commission voted 3-2 in favor of a rule requiring the chairmen and three-quarters of the members of mutual fund boards to be independent of the fund's advisory firm.

The rule also requires independent board members to meet separately at least quarterly, and it authorizes independent directors to hire their own staff to assist them in fulfilling their responsibilities.

While the fund industry supported the bulk of the rule proposal, it strongly opposed the independent chairman requirement. Despite that opposition, SEC Chairman William Donaldson sided with the two Democratic commissioners in support of the requirement.

"The primary responsibilities of fund boards are to negotiate the advisory contract and police conflicts of interest," Roper noted. "Those are responsibilities that ought to be firmly under the control of independent directors."

"If independent directors, led by an independent chairman, start to negotiate the advisory contract more aggressively, mutual fund shareholders could start to see a meaningful reduction in fund fees," she added.

Rule Could Help To Bring Down Fund Fees

The Commission adopted another rule at the same June meeting that should add transparency, and with it discipline, to these negotiations. The rule requires funds to disclose more information in both shareholder reports and proxy statements about the basis for its approval of the advisory contract.

"The hope is that the disclosure requirements will force boards to give more careful consideration to the reasonableness of fund fees," Roper said.

The SEC had previously approved rule proposals targeted specifically at recently revealed trading and sales abuses. In addition, several important rule proposals are still pending at the agency.

Among the most significant is a proposed ban on directed brokerage.

Directed brokerage is the practice of choosing where to execute portfolio transactions based, not on which broker offers the lowest transaction costs or otherwise provides best

execution, but on which brokers agree to distribute the fund.

This practice can drive up portfolio transaction costs, costs which are borne by shareholders. It also serves to encourage brokers to recommend funds based not on which are in their customers' best interests, but on which are willing to make the directed brokerage payments.

CFA, Fund Democracy, Consumers Union, and Consumer Action submitted comments in strong support of the proposed ban.

Agency Looks To Reform Sales Practices

In the directed brokerage rule proposal, the agency also sought comment on possible approaches to reforming 12b-1 fees, including requiring these payments to be deducted directly from shareholder accounts rather than being paid from fund assets.

These fees have become the primary means of compensating brokers, largely because they effectively hide the distribution costs from investors.

In their comment letter, the consumer groups praised the SEC proposal as a significant improvement over the existing system. The proposed change would make the payments more visible to investors, clarify the purpose of the payments, and, by ensuring that the payments ended once the investor had paid his or her share of the distribution costs, protect existing shareholders from

being forced to pay the cost of selling the fund to new investors, the groups wrote.

Additional Sales Practice Reforms Needed

Although the consumer groups praised the Commission proposal, they also urged the Commission to take even bolder action to reform broker-dealer sales practices.

"As positive a step as it is, the proposed rule to ban directed brokerage is still essentially tinkering with a system that has a fundamental design flaw," the groups wrote. "We urge the Commission to seize the opportunity that has presented itself and redesign the system so that it better serves investors' interests and rewards those mutual funds and brokers that differentiate themselves in the marketplace based on quality and price."

Another significant rule proposal pending at the Commission is a proposal to require point-of-sale and confirmation disclosure of distribution-related costs and conflicts of interest.

While the directed brokerage ban is expected to win easy approval, prospects for

the point-of-sale proposal are less clear, since it is strongly opposed by the brokerage industry.

Consumer groups, including CFA, wrote in support of the concept behind the proposal, and praised the agency for taking the landmark step of proposing pre-sale disclosure, but they argued that a number of strengthening amendments are needed to reap the potential benefits of this approach.

Among other things, the groups argued, the disclosure must come earlier – at the point when a recommendation is being made, not simply when a transaction is about to be finalized. Otherwise, there will be no opportunity to factor the information covered by the disclosures into the purchase decision.

The groups also made extensive suggestions to improve the content and presentation of the required disclosures.

As for the industry's argument that the disclosures would be too costly to provide, Roper said that, if effective disclosure is not possible, the only alternative is to eliminate the practices that create the conflicts.

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On the Web

www.consumerfed.org/mutual_fund_reform_banking_testimony.pdf
www.consumerfed.org/mutual_fund_independent_governance_comments.pdf
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Consumers Win One, Lose One in Court

The courts dealt a severe blow to local telephone competition in June when the Supreme Court refused to review an appeals court decision overturning rules that require regional phone companies to lease their networks to competitors at discounted rates.

Just two weeks later, a federal appeals court in Philadelphia handed consumers a major victory when it rejected controversial rules that determine the number of newspapers, radio stations, and television stations a single company can own.

The Supreme Court decision was viewed as all but inevitable after the Bush Administration and the Federal Communications Commission decided against appealing the lower court ruling.

Consumer groups, including CFA, predicted the decision will drive up prices and could cause some companies to go out of business or stop competing in certain markets.

AT&T became the first company to do so, when it announced in late June that it would no longer be competing for residential ser-

vice in seven states.

"This is the beginning of the end of local telephone competition," said CFA Research Director Mark Cooper. "What will follow is a future with fewer choices and higher prices for consumers."

New Rules Needed To Preserve Competition

The Federal Communications Commission announced it would begin work on new rules immediately following the Supreme Court decision.

The rules will define the terms on which regional phone companies must provide access to unbundled network elements (UNEs) many competitors rely on to compete in the local telephone market.

"Preserving competition will require the Commission's close attention and careful regulation as it prepares interim rules," Cooper said. "Otherwise, the billions of dollars in savings consumers enjoy as a result of local competition would be jeopardized."

CFA released a report in June showing the "potentially devastating impact" of eliminating the UNE-Platform (UNE-P).

According to the FCC's own data, UNEs account for just under two-thirds of all competitively supplied lines.

Even if the Commission defines a small subset of markets where UNE-P is withdrawn, it will face a major challenge in designing a transition plan to ensure that ser-

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On the Web

www.consumerfed.org/backpage/media_policy
www.consumerfed.org/FCC_press_release-WIN2.doc
www.consumerfed.org/cautionflag.pdf
www.consumerfed.org/ATT_pull-out_response_final_6.23.04.doc

Payday Lenders Continue To Evade State Laws

Payday lenders continue to find ways around state usury and small loan laws in order to market their exorbitantly priced loans in states where they otherwise would not be permitted, according to a CFA report released this spring.

"Payday lenders use loopholes in state laws, rent bank charters, and offer sham rebates to get around the state laws intended to protect cash-strapped consumers from predatory loans," said CFA Director of Consumer Protection and report author Jean Ann Fox.

As a result, the industry is growing rapidly. The latest industry data indicates that 22,000 outlets are making \$40 billion in loans a year at a cost to consumers of \$6 billion in fees.

Some of that industry growth is the result of more states' permitting payday lending. In other cases, the growth comes through use of tactics to evade state laws that restrict payday lending.

The key tactic being used by payday lenders to evade state laws is formation of partnerships with state-chartered banks regulated by the Federal Deposit Insurance Corporation (FDIC), according to the report.

Under these rent-a-charter arrangements, payday lenders form partnerships with banks operating out of states with no interest rate limits and then claim the bank's right to export their home-state interest rates and preempt state laws.

Eleven of the thirteen largest payday loan chains have formed partnerships with ten such state-chartered banks, according to the report, causing states such as Texas, North Carolina, and Pennsylvania to be overrun with payday loan stores despite state restrictions.

"States that try to protect vulnerable borrowers are being invaded by usurious lenders and banks willing to rent their charters to those lenders," Fox said.

FDIC Inaction Blamed

The Comptroller of the Currency, the Office of Thrift Supervision, and the Federal Reserve have all taken enforcement actions to sever ties between the banks they supervise and store-front payday lenders, citing a range of safety and soundness issues. The FDIC, however, continues to permit the state banks it regulates to partner with payday lenders.

Although the FDIC adopted guidelines last July governing payday lending by the

banks it oversees, those guidelines fail to effectively regulate payday loans or replace state consumer protections, Fox said. For example, FDIC guidelines set no cap on finance charges and do not protect consumers from unaffordable loan terms or loan flipping.

Since the guidelines were adopted, the FDIC has given favorable CRA reviews to two banks that rent their charters to payday lenders, three more FDIC regulated banks have entered into partnerships with payday lenders, and the FDIC has even permitted a Federal Reserve member bank to switch regulators in order to continue its payday loan operations.

With the FDIC unwilling to act, "Congress must put a stop to charter renting by federally insured banks," Fox said.

The report also documents new methods used to hide payday loans behind the "sale" of Internet access and phone cards with a "rebate" that is really a loan.

It describes cases brought by regulators in Indiana, North Carolina, and Georgia in which payday loans were hidden behind these tactics.

The courts recently ruled that these transactions violated North Carolina's small loan laws. The store cited in the Georgia case was ordered by state regulators to cease and desist from making loans that violate Georgia usury laws.

"Payday lenders will use every loophole, try every tactic, exploit any opportunity to

trap consumers in debt at triple digit interest rates," Fox said.

Industry Legislative Plans Hit Roadblocks

In addition to evading existing state laws, the industry has set out to win passage of safe harbor legislation in every state, according to the report.

Currently, 33 states and the District of Columbia authorize payday loans by law or regulation, and two states (Wisconsin and New Mexico) permit payday lending by licensed lenders without substantive regulation or fee caps. In addition, Alaska recently adopted a law permitting payday lending, which is due to take effect in 2005.

Despite the loss in Alaska, this push for safe harbor state laws has hit greater resistance this year, according to the report.

Georgia's legislature enacted a tough enforcement bill to prohibit payday lending, Michigan's Governor vetoed a bill to legalize payday loans, Wisconsin's Governor vetoed a weak payday loan bill opposed by consumer groups, and industry-backed bills failed to move in West Virginia and Pennsylvania.

The industry immediately challenged the Georgia law in court, but the district court refused to halt implementation, and the appeals court upheld that decision. CFA filed an amicus brief with AARP and others in support of the Georgia law.

Although court challenges continue, the district judge indicated the industry arguments were entirely without merit.

"States are starting to enact legislation to close loopholes," Fox said, "but Congress must step in to stop federally insured banks from renting their rate exportation authority to payday lenders."

On the Web

www.consumerfed.org/033104_2004payday.html
www.consumerfed.org/pdlrentabankreport.pdf

Court Cases, Continued from Page 1

vice is not disrupted during the transition, Cooper predicted.

"If the Commission undermines UNEs altogether, the competitive local exchange companies industry will collapse and competition will be eliminated," he said.

Court Rejects Media Ownership Rules

Meanwhile, the U.S. Court of Appeals in Philadelphia overturned the FCC media ownership rules, saying the agency had fallen "short of its obligation to justify its decisions to retain, repeal, or modify its media ownership regulations with reasoned analysis."

"The ruling reinforces the public mandate for a diverse and democratic media,"

Cooper said.

The administration and the Commission must now decide whether to appeal the ruling or begin rewriting the rules that determine the number of newspapers, local television stations, and radio stations a single company can own.

CFA urged the White House and the FCC to accept the court's ruling and "not resort to a protracted appeals process, which would adversely affect the public interest."

CFA also launched an initiative to encourage consumers to write to the president and the FCC to voice their support for the court's ruling.

"Public outcry was essential in bringing this issue to the forefront," Cooper said. "We

must continue to let our voices be heard."

In conjunction with this effort, CFA launched a new website to mobilize consumers around issues of media and communications at www.consumerfed.org/backpage/media_policy.

The website is "dedicated to educating the public about media reform issues and contributing to a growing national dialogue on media issues crucial to a healthy democracy," Cooper said.

The website features news, consumer-oriented information, numerous opportunities to get involved, a weekly opinion poll, and more. Consumers can also join an email list to learn about new polls, urgent actions to take, and the latest CFA news.

Mutual Fund Reform, Continued from Page 1

"The SEC appears to be working its way fairly systematically through an agenda of reform proposals designed to tackle the trading and sales abuses recently revealed to pervade the fund industry," Roper said. "Nonetheless, Congress missed an important opportunity when the Senate Banking Committee determined not to pursue legislation."

For example, the SEC's pro-investor governance reforms are undermined both by a weak statutory definition of independent director and by the agency's inability to impose those reforms directly. (It has done so as a condition of relying on other exemptive rules.)

Similarly, the agency does not have the authority to ban soft dollar practices, which

are similar to directed brokerage, but pay for services other than distribution, such as research. These services ought to be paid for directly and disclosed as an expense in the fund operating costs, Roper said, but the only way to accomplish that is through a ban.

"These are problems the agency cannot address on its own. They require congressional action," Roper said.

There are other areas - particularly with regard to mutual fund cost disclosure - where the agency has so far shown itself unwilling to adopt needed reforms, she said.

The proposed point-of-sale disclosure, for example, inexplicably omits any disclosure of mutual fund operating costs. And the weak

new cost disclosures the SEC has adopted will be located in the shareholder report, a document few if any investors read before the sale.

"Without pre-sale cost disclosure, you will not have effective cost competition," Roper said. "Without effective cost competition, investors will continue to see their retirement and other long-term savings eroded by excessive fees."

"It is a great pity, and a great disservice to investors, that Congress passed up this opportunity to take action," she added. "We can only hope that the SEC will reconsider its position on cost disclosure or that Congress will take up the issue in the next session."

CFAnews

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CFAnews is published eight times a year. Annual subscription rate is \$25 per year.
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 Design & Typeset by: Dahlman/Middour & Nolan Design

Conference Focuses on Obesity, Mad Cow Disease

Science is helping to drive the policy of the U.S. Department of Agriculture on a variety of issues, including obesity and Bovine Spongiform Encephalopathy (BSE), Agriculture Secretary Ann Veneman said in a keynote speech at CFA's food policy conference in May.

Obesity and BSE, or "mad cow" disease, were the focus of the conference, which brought together leaders from government, the food industry, public health organizations, and the consumer community for a variety of speeches, debates, and panel discussions.

"Our scientific understanding of BSE, which is still a relatively new disease, has helped guide our prevention and response measures," Secretary Veneman said. "We are continually updating our safeguards as the science evolves."

That response has included: taking non-ambulatory animals out of the food supply; removing "specified risk materials from the edible food supply;" increasing controls over the process of "advanced meat recovery;" creating a "framework" for the National Animal Identification system "to trace back animals quickly in the event of an outbreak;" naming an international review team of scientific experts to review the agency's systems and response; and implementing that review



Agriculture Secretary
Ann Veneman



Acting FDA
Commissioner
Lester Crawford

team's recommendations, Veneman said.

"We are committed to an effective BSE program, and we will continue to use science as our guide in making decisions," she said.

Obesity Research is Pressing Need

Secretary Veneman also discussed the need for further scientific research in the area of obesity solutions. "The persistence and growth of obesity demonstrates the limit of our understanding and the need to learn more through research," she said.

In addition to conducting research on a variety of related issues, USDA is adding a Nutrition Food Safety and Quality group to USDA's agriculture research service, and it is sponsoring a conference in the fall on research needs for preventing obesity, Veneman said.

Based on its ongoing scientific review, the agency also will evaluate and update both its dietary guidelines and its techniques for educating the public about those guidelines, she said.

"It is critical that we communicate effective nutrition-education messages so that our efforts are helping to translate information into positive action," she said. "We want to ensure that our messages are consistent, that

they make the biggest possible impact, and that they actually make a difference in consumer behavior."

"I am committed to ensuring that USDA's resources are used wisely and that they address our health and nutrition needs in a relevant way," she said. "But for ultimate success, America needs a partnership that includes the public health community, academia, consumer advocates, and the food and agriculture sector, as well as individuals."

Crawford Outlines FDA Action Plan

The Food and Drug Administration (FDA) is also involved in efforts "to help reverse the obesity epidemic in this country," Acting FDA Commissioner Lester Crawford said in his keynote address.

The agency's Obesity Working Group recently completed a comprehensive report outlining various recommendations on ways to combat obesity. These recommendations are based on the fundamental viewpoint that "there is no substitute for the simple formula that calories in must equal calories out in order to control weight," Commissioner Crawford said.

The report recommends reevaluation of the nutrition facts panel on food labels "to highlight the critical role calories play in consumers' diets," he said. "The goal in modifying the food label is to arm consumers with more of the information they need to make sound food choices."

The FDA is also planning stepped up enforcement to ensure the accuracy of the information provided.

In addition, the agency is initiating a

"Calories Count" education campaign, with a particular focus on children and young adults, "because the obesity epidemic is particularly alarming in children."

Because Americans spend nearly half their food budgets on food consumed outside the home, FDA also is urging the restaurant industry to launch a "nation-wide, voluntary, and point-of-sale nutrition information campaign for customers," he said.

The agency hopes to involve restaurants in a pilot program to study use of standardized, simple, and understandable nutritional information, including calorie information, at the point-of-sale in a restaurant setting, he said.

Finally, the agency plans increased research on obesity prevention, including joint research with USDA, he said.

Crawford also discussed several other agency priorities, including: modernization of the good manufacturing procedures for food and development of such procedures for dietary supplements with the aim of "reducing risk of adverse health effects to consumers;" providing guidance to industry on qualified health claims in labeling both conventional foods and dietary supplements; cracking down on misleading and unsafe dietary supplements; and developing new regulations to set manufacturing and labeling standards for dietary supplements.

"Taken together, these initiatives provide a comprehensive action plan for FDA that, when implemented, will go a long way towards helping us confront the nation's obesity epidemic and helping consumers lead longer, healthier lives through better nutrition," he said.

New Book Explores Internet Policy

Leaders in Internet policy and other telecommunications experts explore new, technology-neutral approaches to preserving open communications networks and the freedom of the Internet in a book released in June.

Open Architecture as Communications Policy, edited by CFA Research Director Mark Cooper, details how network neutrality is imperative for the future of an innovative high-speed Internet and cautions regulators not to abandon the bedrock principles and telecommunications laws that have made the Internet such a success.

The book combines several classic works on open architecture and public policy with new essays and empirical studies by FCC Commissioner Michael Copps, economists Robert Kahn and Vinton Cerf, law professors Mark Lemley and Lawrence Lessig, law professor Timothy Wu, attorneys Earl Comstock and John Butler, Richard Whitt of MCI, and Cooper.

"This book is especially relevant now, as the FCC attempts to reverse its long-standing commitment to ensuring open, nondiscriminatory interconnection and carriage of data services of the nation's telecommunications networks," Cooper said.

"With two cases pending Supreme Court review, a dozen proceedings ongoing at the FCC, and talk of a rewrite of the 1996 Telecom Act in the air, the future architecture of the Internet hangs in the balance," he added. "It is critical for policy makers to have a full appreciation for the importance of principles of open architecture as public policy."

The book is available for download at no charge under a creative commons license at <http://cyberlaw.stanford.edu/blogs/cooper/archives/openarchitecture.pdf>. In addition, requests for copies can be sent to Cooper at mcooper@consumerfed.org.

On the Web

www.usda.gov/Newsroom/0184.04.html

www.fda.gov/oc/speeches/2004/NFPC0506.html

Administration Mad Cow Response Criticized

Joining with other consumer groups at a May news conference, Carol Tucker Foreman, Director of CFA's Food Policy Institute, called on the Bush Administration to remedy failures and improve protections against Bovine Spongiform Encephalopathy (BSE), or "mad cow" disease.

"Throughout the last year, government officials have assured us they have acted vigorously and effectively to curtail any risk that might arise from the presence of mad cow disease in North America," Tucker Foreman said at a news conference with Consumers Union, Public Citizen, and R-CALF.

"Subsequent events, however, have shown that USDA and FDA have not put human health protection ahead of trade considerations and the economic interests of the powerful meat industry," she said.

Tucker Foreman criticized the administration for:

- reversing its previous position prohibiting imports of ruminants or ruminant products from countries with diagnosed cases of BSE and allowing millions of pounds of bone-in beef and processed beef products to enter the United States from Canada;
- allowing an animal that showed signs of

central nervous system disorder to be disposed of without testing, despite pledges to test all such animals, and refusing to reveal on whose authority the action was taken;

- delaying action on an FDA pledge to issue new regulations tightening the ban on potentially infective material in animal feed; and

- delegating all decisions on federal action to curtail BSE to a small group of economists, trade experts, and animal health specialists from government and the regulated industry, systematically excluding public health experts who offer dissenting views and avoiding public dialogue with consumers.

In order to get its response back on track, the consumer groups urged the administration:

- to direct the USDA to withdraw the proposed BSE minimal-risk region rule promulgated by the Animal and Plant Health Inspection Service and to maintain the current ban on beef and cattle from Canada;
- to direct the Department of Health and Human Services and USDA to commission a study by the National Academy of Science Institutes of Medicine to fully assess the risks

of importing cattle and beef from Canada into the United States;

- to direct USDA to identify all Canadian-born cattle that have been imported into the United States – an estimated 450,000 animals – and track those animals so they are tested for BSE before they enter the food supply;

- to insist that Canada aggressively expand its BSE testing program to establish on a scientific basis the actual prevalence of BSE in the entire Canadian herd; and

- to direct the Secretary of Agriculture to convene and chair a series of public hearings around the United States to solicit the views of individual consumers and experts in public health.

"The members of CFA firmly support free and open international trade. However, the economic benefits of free trade should not be used to undercut the public's ability to determine what is in their food and where it comes from, nor should it be allowed to trump protection of public health," Tucker Foreman concluded.

On the Web

www.consumerfed.org/madcredibility.html

Domestic Oil Industry Profits From Rising Prices

With high energy prices making front-page headlines, CFA and Consumers Union released a report in May that shows domestic petroleum companies have been the primary culprits, and beneficiaries, of rising gasoline and natural gas prices.

Price increases for gasoline at the pump and natural gas at the wellhead have totaled more than \$300 billion over the past four years, according to the report. Of that total, \$250 billion has come in the form of price hikes by domestic petroleum companies.

Because the price increases were not caused by cost increases, they produced an increase in after-tax windfall profits of \$50 to \$80 billion for the domestic petroleum industry, according to the report, *Fueling Profits: Industry Consolidation, Excess Profits, and Federal Neglect - Domestic Causes of Recent Gasoline and Natural Gas Price Shocks*.

Written by CFA Research Director Mark Cooper, the report attributes about half of the price increases to changes in domestic pricing behavior created by a wave of mergers that swept through the industry in the past decade.

"The industry became concentrated in the hands of a few vertically integrated companies, and that allowed domestic oil companies to shut down refineries, reduce stocks, and exploit markets when they become tight," Cooper said.

"Since these price increases were about padding the corporate bottom line, not about responding to increased costs, petroleum industry profits have risen to record highs over the period," he added.

"Based on the results from the first quarter

of this year, domestic petroleum industry profits are headed for another record, with refining and marketing profits up about 50 percent compared with the first quarter of 2003," he added.

Consumers, meanwhile, have paid a heavy price. The report documents a dramatic increase in household energy bills for petroleum products.

Taken together and averaged across all households, yearly expenditures for gasoline, heating oil, and natural gas in 1999 accounted for about \$1,400 per household. Price increases over the past four years added about \$350 in annual household expenditures for these products.

In short, Cooper said, "domestic energy price shocks have increased household energy bills by 25 percent."

Federal Policy Response Proposed

In response, CFA and Consumers Union called on federal and state law enforcement agencies to investigate and prosecute domestic oil companies that violate the law.

They called on the Department of Justice: to promote a more competitive industry by preventing further consolidation through vigorous enforcement of its merger guidelines; to work with state attorneys general to expose those companies that withhold supplies; and to prevent manipulation of commodity markets.

Finally, they called on Congress:

- to consider instituting a windfall profits tax, with a goal of eliminating the incentive to manipulate supplies to increase profits;
- to increase market flexibility through

stock and storage policy;

- to increase automobile fuel efficiency standards at the rate achieved in the 1980s; and
- to increase refinery capacity through expansion at existing refineries or redevelopment of the refineries closed in the past decade.

Cooper took that same message to Capitol Hill in May, when he testified on behalf of CFA and Consumers Union before the Senate Environment and Public Works Committee.

Energy Bill Misses the Mark

"Careful consideration... leads to a very different set of policy recommendations than the administration and the industry have been pushing or the Congress is considering in the pending energy legislation," Cooper said.

"Because domestic resources represent a very small share of the global resources base and are relatively expensive to develop, it is folly to exclusively pursue a supply-side solution to the energy problem," he added.

Any resulting increase in domestic production would not be sufficient to put downward pressure on world prices, he said. Instead, it would only serve to further increase oil company profits, particularly if large subsidies are provided, as contemplated in the pending energy bill.

That is because the energy bill "fails to

address the factors that have led to the creation of a concentrated market and the industry's consequent failure to respond to increased demand in a responsible manner," he said.

Not only is the legislation "silent on the market power problem flowing from the high degree of concentration on the supply side of the market," he said, it actually threatens to make the problem worse.

It would, for example, make it more difficult to punish fraud in energy commodity markets. Its repeal of the Public Utility Holding Company Act would allow the large oil and gas producers to buy up electric utilities, thereby integrating their natural gas production with consumption.

"The result would be to further diminish market forces in the industry, exacerbating the problems that are already too painfully evident," Cooper said.

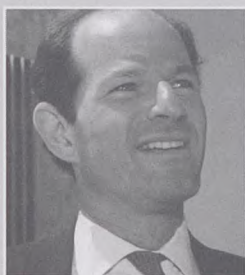
"The \$20 billion that the energy bill would give to the oil industry would be better spent as a down payment on a long-term commitment to reduce demand and increase domestic market flexibility," he said.

The administration's anti-consumer energy bill (H.R. 6) has passed the House, but has long been stalled in the Senate, with no end to the impasse in sight.

On the **Web**
www.consumerfed.org/oilprofits.pdf



Rep. Charles Rangel



Eliot Spitzer



David Fanning



Rosemary Shahan



Will Ogburn

34th Annual Awards Dinner

The Consumer Federation of America honored distinguished consumer service at its 34th annual Awards Dinner in June.

Rep. Charles B. Rangel (D-NY) and New York Attorney General Eliot Spitzer received Philip Hart Public Service Awards.

The Betty Furness Consumer Media Service Award was presented to the PBS news show, *Frontline*, with Executive Producer David Fanning accepting the award.

Rosemary Shahan, President of Consumers for Auto Reliability and Safety, and National Consumer Law Center received Esther Peterson Consumer Service Awards. Executive Director Will Ogburn received the award on behalf of NCLC.

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